

CALIFORNIA ENERGY COMMISSION

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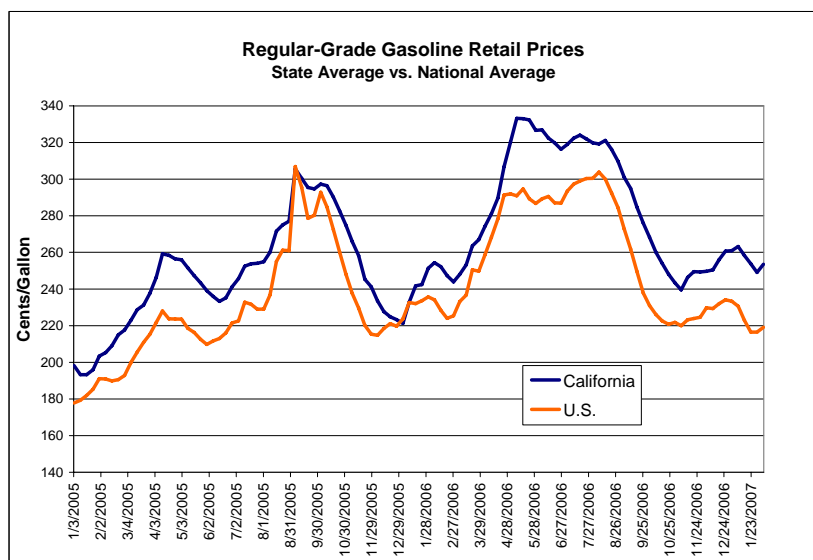
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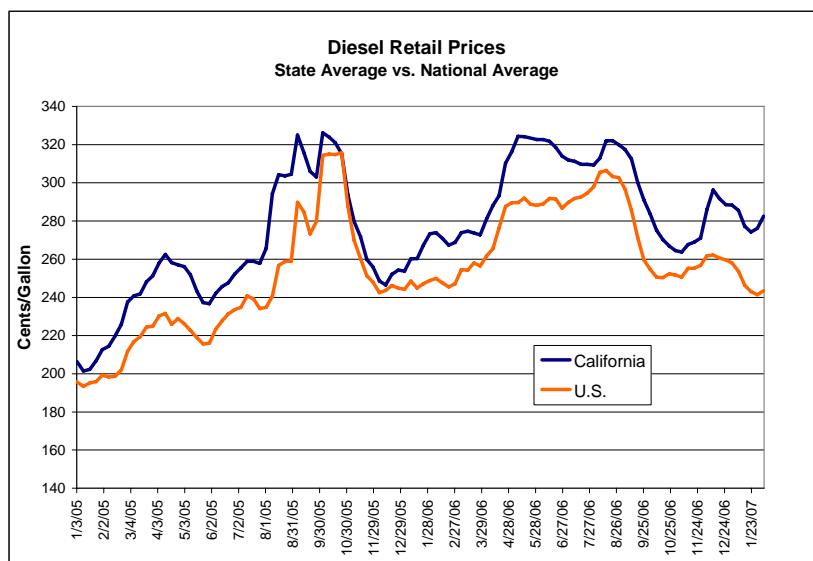
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**Petroleum Watch****February 9, 2007*****Retail Gasoline and Diesel Prices on February 5***

- The average California **retail price for regular-grade gasoline** rebounded 4 cents during the last week to \$2.54 per gallon after three consecutive weeks of declines. Gasoline prices are 10 cents less than on January 8, the date of our last report, and a penny less than the same time last year.ⁱ
- The difference between California and U.S. retail gasoline prices increased to 34 cents per gallon, 1 cent more than on January 8. U.S. prices fell to \$2.17 per gallon on January 22, the lowest levels since December 2005, and are 15 cents less than the \$2.34 per gallon reported at this time last year.



- After recently declining to \$2.74 per gallon on January 22, the average California **retail diesel price** has climbed back up to \$2.83, only 3 cents less than January 8. Since January 8, the U.S. retail diesel price has dropped 10 cents to \$2.44 per gallon, increasing the difference between California and U.S. prices to 39 cents per gallon.



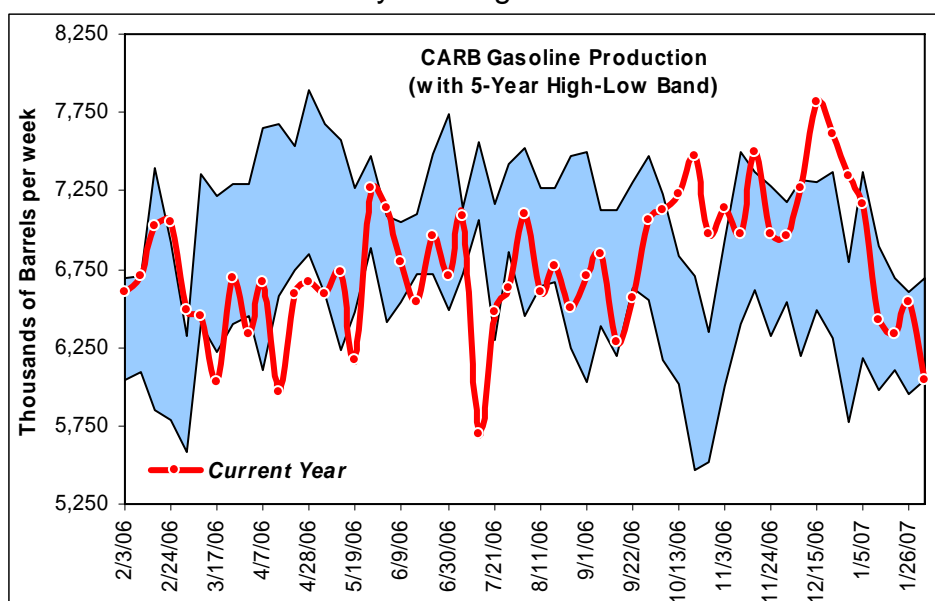
Wholesale Gasoline and Diesel Prices on February 6

- After falling to \$1.44 per gallon on January 22, the lowest level since January 2005, California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) increased sharply to \$1.93, 21 cents more than on January 9. Prices are 12 cents per gallon more than on the same day last year.
- The cold weather that finally arrived in the eastern United States this month has increased crude oil and fuel prices nationwide. At the same time, planned maintenance and unplanned outages at California refineries have pushed in-state prices even higher.
- Spot prices for RBOB in Los Angeles are 39 cents higher than New York Harbor and 40 cents more than the Gulf Coast, up from 26 cents and 29 cents, respectively, on January 9.
- After recently falling as low as \$1.60 per gallon on January 18, California spot **wholesale ultra low-sulfur diesel prices** have also sharply increased to \$2.08, 25 cents higher than on January 9 and 19 cents per gallon more than on the same day last year.
- California wholesale ultra low-sulfur diesel prices are 33 cents per gallon more than New York Harbor and 35 cents more than the Gulf Coast, compared to 19 cents and 23 cents more, respectively, on January 9.
- California gasoline ended the reporting week at 15 cents less than California diesel, compared to 12 cents less on January 9.

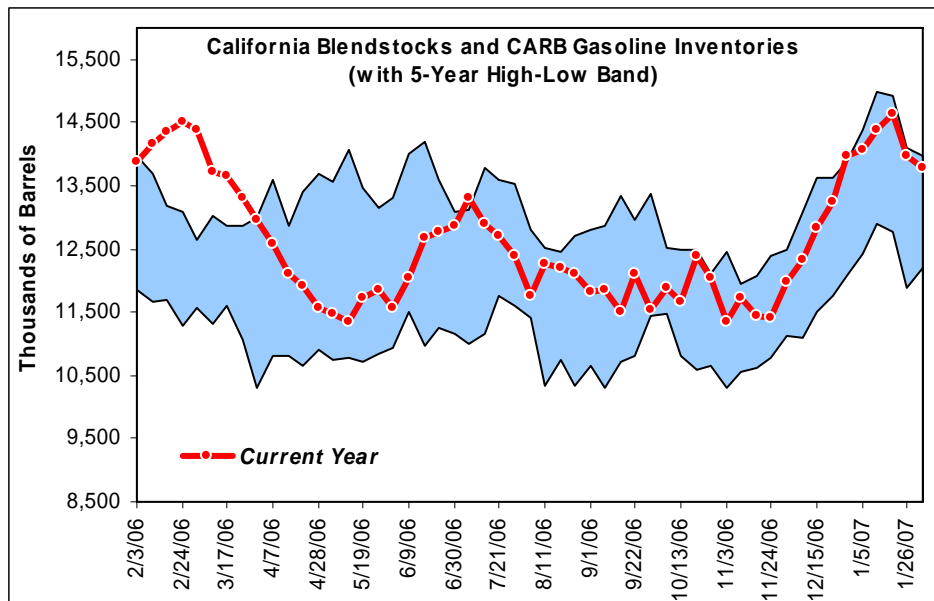
- The Energy Information Administration's (EIA) weekly report for February 2 shows that **U.S. gasoline demand** increased 0.5 percent from the previous week but declined 0.7 percent from January 5, while distillate demand increased 2.4 and 16.9 percent, respectively. The four-week average demand for gasoline is 9.07 million barrels per day, 2.1 percent more than the four-week average at the same time last year. The four-week average for U.S. distillate demand is 4.32 million barrels per day, 3 percent more than at the same time last year.

Refinery Production and Inventories

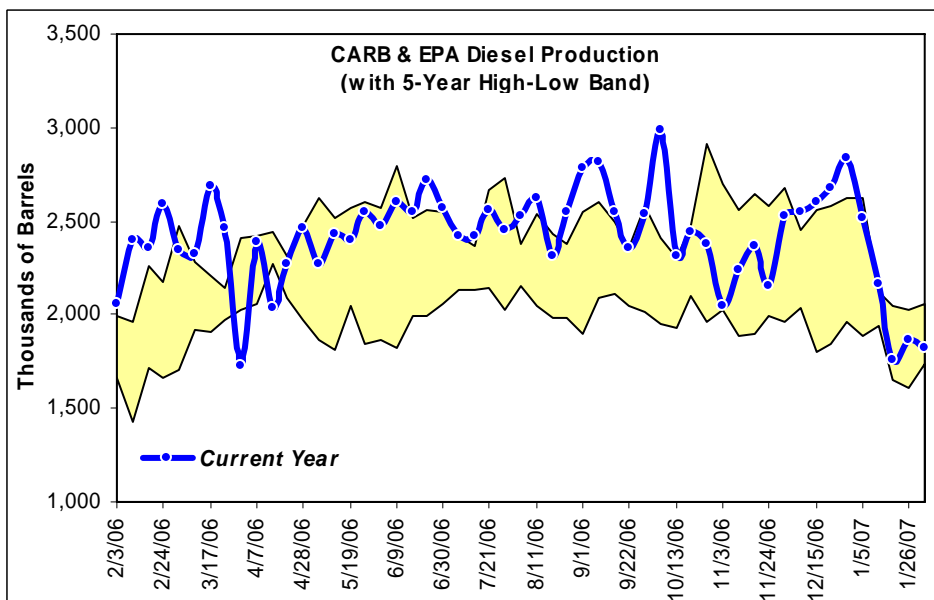
- **Reformulated gasoline production** in California for the week ending February 2 decreased 8.0 percent from the previous week to 6.02 million barrels. After three weeks in December at well above the five-year spread, production levels have since declined to the bottom of the five-year range.ⁱⁱ



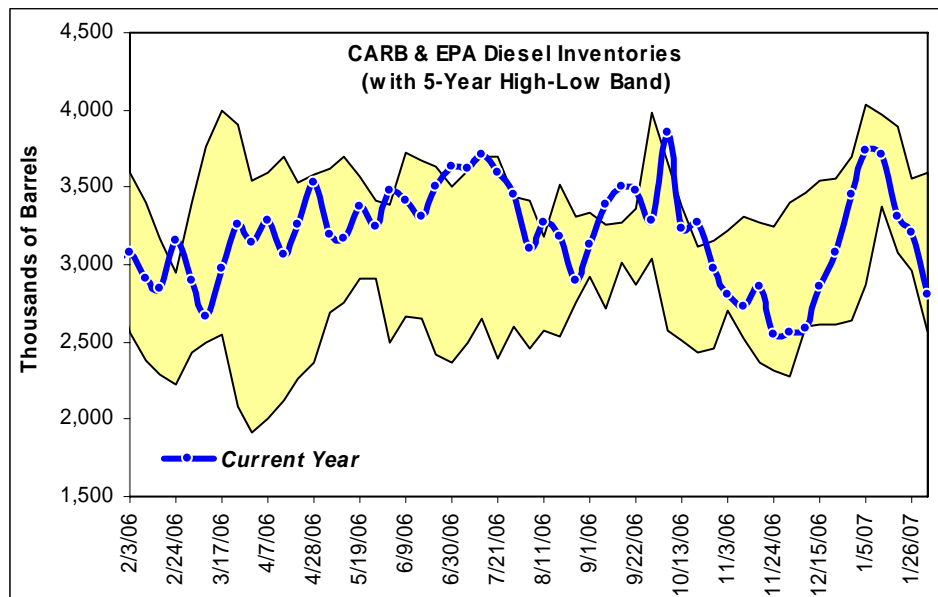
- California reformulated gasoline inventories decreased by 8.4 percent last week, while gasoline blendstock inventories rose by 4.1 percent. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **decreased by 1.6 percent** to 13.76 million barrels but still remain at the upper end of the five-year range.



- U.S. gasoline inventories as of February 2 were at 227.2 million barrels, 2.6 million barrels more than the previous week and 13.9 million barrels higher than January 5. Inventories increased sharply on the East Coast but decreased on the West Coast, during the latest week.
- California **ultra low-sulfur diesel production** during the week ending February 2, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, dropped to 1.79 million barrels, 4.1 percent less than the previous week and 13.1 percent less than a year ago.



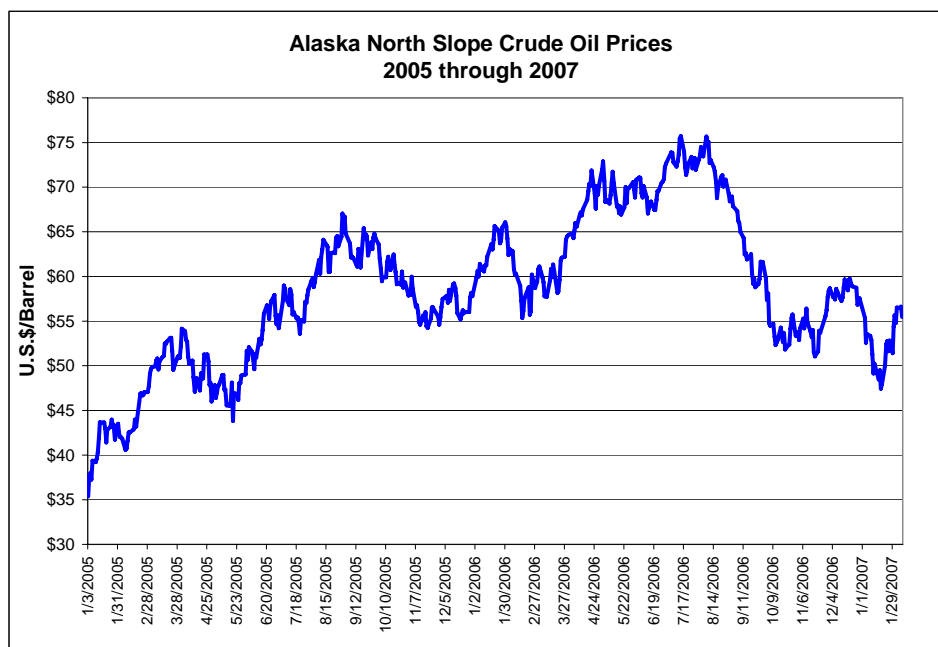
- Combined **ultra low-sulfur diesel inventories** in California decreased by 11.9 percent from the previous week to 2.82 million barrels. Stocks are 24.4 percent lower than on January 5. Total U.S. distillate inventories as of February 2 fell to 136.3 million barrels, 3.6 million barrels less than the previous week. Inventories increased on the Gulf Coast but were down sharply on the East and West Coasts.



- Tesoro Corporation announced on January 29 that its board has approved agreements for the company to purchase Shell's Wilmington refinery, terminal, 250 retail sites, and supply agreements in and around Los Angeles and San Diego. The Wilmington refinery has a capacity of about 100,000 barrels per day. The purchase price of these assets is \$1.63 billion, plus the value of petroleum inventory, which would add about \$180 million to \$200 million.

Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, fell from \$51.27 per barrel on January 10, 2007, to a 20-month low of \$47.43 on January 18 following the quick resolution of the dispute between Russian and Belarus over pipeline tariffs and the fast return of the Alaska pipeline to operations after a leak was found. Unseasonably warm weather over much of the United States, however, and growing crude oil and product inventories were the primary causes of this weakness in petroleum prices.
- In the last three weeks, several factors have pushed oil prices higher. In his January 23 State of the Union speech, President Bush announced his intention to resume building the Strategic Petroleum Reserve. Severe cold weather also settled over much of the central and eastern U.S. and began cutting into distillate inventories. At the same time, gasoline demand has been unusually strong for mid-winter. Meanwhile, continued kidnappings of oil workers in Nigeria has prompted oil workers' unions to threaten strikes, and Ecuador oil production was reduced due to demonstrations over social services in oil producing areas. OPEC production cuts have begun to register on the market and the Iranian dispute with the U.N. Security Council over its nuclear energy program has also caused ongoing uncertainty. ANS prices settled at \$55.46 per barrel on February 7 after reaching \$56.63 the previous day.ⁱⁱⁱ



- U.S. commercial crude oil inventories as of February 2 fell 449,000 barrels to 324.5 million barrels. Crude oil stocks are 3.8 million barrels more than last year and 29 million barrels higher than the five-year average. California crude oil stocks grew 1.1 percent from the previous week to 14.57 million barrels and are 7.2 percent higher than last year.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ ANS crude oil prices are from *The Wall Street Journal*.